

## Message Text

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NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

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FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC PRIORITY 6607

INFO AMEMBASSY BELGRADE

AMEMBASSY BERLIN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY HELSINKI

AMCONSUL LENINGRAD

AMCONSUL MUNICH

USMISSION USNATO

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY VIENNA

AMEMBASSY WARSAW

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PASS COMMERCE/BEWT AND TREASURY

E.O. 11652: N/A

TAGS: ECON UR

SUBJECT: 1974 PLAN RESULTS IN INDUSTRY

REF: MOSCOW 18862, 12/20/74

1. SUMMARY: CENTRAL PRESS JAN 25 CARRIES CENTRAL STATISTICAL  
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ADMINISTRATION'S 1974 ECONOMIC PLAN RESULTS FOR INDUSTRY AND

AGRICULTURE (LATTER BEING REPORTED SEPTEL). GROWTH IN INDUSTRIAL PRODUCTION AT 8.0 PERCENT WAS, AS USUAL, HIGHER THAN REDUCED TARGET FOR YEAR SET PREVIOUS DECEMBER AND LOWER THAN FIVE-YEAR PLAN (FYP) GOAL FOR 1974. STATISTICS REVEAL STARTLING ABOUTFACE FROM SOVIETS' PREVIOUSLY-ANNOUNCED INTENTION TO EMPHASIZE PRODUCTION IN CONSUMER SECTOR OVER CAPITAL GOODS OUTPUT IN 1974. FIGURES ALSO SHOW VERY POOR RATIO BETWEEN GROWTH IN CAPITAL INVESTMENTS AND COMPLETION/EQUIPPING OF NEW PLANTS. THIS WAS PRESUMABLY MAJOR FACTOR (ALONG WITH AGRICULTURAL PROBLEMS) IN SHARPLY REDUCED GROWTH IN NATIONAL INCOME (FIVE PERCENT VERSUS FYP AND REDUCED TARGETS OF 6.7 AND 6.5 PERCENT RESPECTIVELY) SECTOR-BY-SECTOR RESULTS REVEAL FULFILLMENT IN MOST AREAS OF REDUCED TARGETS SET IN DECEMBER 1973, BUT FAILURE TO MATCH FYP LEVELS FOR 1974. OVERALL GROWTH IN LABOR PRODUCTIVITY WAS 4.4 PERCENT (WITH 6.5 PERCENT GROWTH IN INDUSTRY DRAGGED DOWN BY NEGATIVE RPT NEGATIVE GROWTH IN AGRICULTURE AND RELATIVELY SMALL INCREASES IN BOTH CONSTRUCTION AND TRANSPORT SECTORS). CONSUMER WELFARE WAS MIXED PICTURE, WITH PRODUCTION GROWTH IN GROUP B OF 7.2 PERCENT VERSUS REDUCED TARGET OF 7.5 PERCENT AND FYP TARGET FOR YEAR OF 8.7 PERCENT. REAL PER CAPITA INCOME GROWTH FAILED TO MEET BOTH REDUCED AND FYP TARGETS FOR 1974, WHEREAS AVERAGE WAGES OF STATE EMPLOYEES MANAGED TO SLIGHTLY EXCEED REDUCED GOAL FOR YEAR. PLAN FOR NEW HOUSING COMPLETION WAS UNDERFULFILLED, AND LESS HOUSING SPACE BECAME AVAILABLE IN 1974 THAN IN 1973. DOMESTIC RETAIL TRADE TURNOVER WAS UNDERFULFILLED DESPITE HUGE GROWTH IN SALES OF AUTOMOBILES TO PRIVATE OWNERS. FOREIGN TRADE GREW BY MORE THAN DOUBLE PLAN TARGETS, WHICH AT LEAST IN PART EXPLAINABLE BY INFLATED PRICES PAID AND RECEIVED BY SOVIETS FOR COMMODITIES TRADED WITH WESTERN COUNTRIES. END SUMMARY

2. FOLLOWING SELECTED ANNUAL PRODUCTION STATISTICS, WITH PERCENTAGE COMPARISON TO 1973, ARE TRANSMITTED IN ACCORD WITH AGREEMENT WITH OFFICE OF ECONOMIC RESEARCH:

ELECTRICAL ENERGY: 975 BILLION KWTH; 107  
OIL (INCLUDING GAS CONDENSATE): 459 MILLION TONS; 107  
(EXCLUDING GAS CONDENSATE): 452 MILLION TONS; 107  
GAS: 261 BILLION CUBIC METERS; 110  
COAL: 684 MILLION TONS; 103

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(FIGURES FOR COKING COAL NOT SHOWN)  
PIG IRON: 99.9 MILLION TONS; 104  
ROLLED METAL: 109 MILLION TONS; 104  
(OF WHICH FINISHED METAL: 94.2 MILLION TONS; 103)  
MINERAL FERTILIZERS (IN CONVENTIONAL UNITS): 80.3  
MILLION TONS; 111  
PLASTICS AND SYNTHETIC RESINS: 2.5 MILLION TONS; 107  
CHEMICAL FIBERS: 887 THOUSAND TONS; 107

METAL - CUTTING MACHINE TOOLS: 225 THOUSAND UNITS; 105  
(1,386 MILLION RUBLES; 119)  
FORGE-PRESS MACHINES: 49.0 THOUSAND UNITS: 105  
(369 MILLION RUBLES; 113)  
INSTRUMENTS, MEANS OF AUTOMATION AND RELATED SPARE PARTS:  
3.8 BILLION RUBLES; 114  
COMPUTER EQUIPMENT AND RELATED SPARE PARTS: 2.2  
BILLION RUBLES; 134  
OIL APPARATUS: 172 THOUSAND TONS; 109  
CHEMICAL EQUIPMENT AND SPARE PARTS: 607 MILLION  
RUBLES; 112 (COMMENT: THIS MAY BE MISPRINT; 707  
MILLION RUBLES WOULD APPEAR MORE LIKELY. END COMMENT)  
MAINLINE RAIL FREIGHT CARS: 72.4 THOUSAND UNITS; 100.9  
AUTOMOBILES-- TOTAL: 1,846 THOUSAND UNITS; 115  
(OF WHICH TRUCKS: 666 THOUSAND UNITS; 106  
(PASSENGER CARS: 1,119 THOUSAND UNITS; 104  
PAPER: 5.0 MILLION TONS; 103  
CEMENT: 115 MILLION TONS; 105  
COTTON TEXTILES: 6,619 MILLION SQUARE METERS; 100.6  
LEATHER FOOTWEAR: 684 MILLION PAIRS; 103  
MEAT: 14.5 MILLION TONS; 107  
BUTTER: 1.26 MILLION TONS; 102  
CANNED FOODS: 14 BILLION CANS; 109  
TELEVISION SETS: 6.6 MILLION SETS; 105  
REFRIGERATORS: 5,442 THOUSAND UNITS; 100.3  
WASHING MACHINES: 3.1 MILLION UNITS; 103  
FURNITURE: 4.0 BILLION RUBLES; 108

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P R 271910Z JAN 75

FM AMEMBASSY MOSCOW  
TO SECSTATE WASHDC PRIORITY 6608  
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3. HEAVY INDUSTRY. STATISTICS REVEAL THAT PRODUCTION GROWTH IN MOST INDUSTRIES FALLING WITHIN GROUP A WAS AT OR SLIGHTLY ABOVE REDUCED TARGETS SET IN DECEMBER 1973. TOTAL OUTPUT GREW BY 8.0 PERCENT COMPARED WITH REDUCED GOAL OF 6.8 PERCENT AND FYP TARGET OF 8.6 PERCENT. IN ALMOST ALL CASES COMMODITY GROWTH RATES WERE FAR BEHIND FYP TARGETS FOR 1974 (EXCEPTIONS INCLUDE COMPUTERS, AGRICULTURAL MACHINERY, AND MINERAL FERTILIZERS). AT SAME TIME RATION OF GROWTH OF GROUP A TO THAT OF GROUP B SET IN DECEMBER 1973 (6.6 PERCENT VERSUS 7.5 PERCENT) WAS REVERSED, WITH ACTUAL 1974 GROWTH OF 8.3 PERCENT IN "A" AND 7.2 PERCENT IN "B." THIS CHANGE COMES AS SURPRISE, AS NO INDICATION OF IT HAS BEEN OBSERVED IN ECONOMIC PRESS THROUGHOUT PAST YEAR. MOST GLARING PROBLEM AREAS IN HEAVY INDUSTRY APPEAR TO BE IN PRODUCTION OF OIL APPARATUS (172 THOUSAND TONS VERSUS FYP 1974 GOAL OF 228.5 THOUSAND TONS) AND GRAIN-HARVESTING COMBINES (88.4 THOUSAND UNITS VERSUS FYP 1974 TARGET OF 123 THOUSAND UNITS). IN ENERGY AREA, GROWTH IN OUTPUT OF ALL ELEMENTS KEEPING PACE WITH REDUCED TARGETS BUT IS WELL BEHIND FYP GOALS FOR 1974, WITH EXCEPTION OF COAL.

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4. CAPITAL CONSTRUCTION. THIS IS CLEARLY A KEY PROBLEM AREA IN ECONOMY. 1974 STATISTICS REVEAL CAPITAL INVESTMENTS OF 105.7 BILLION RUBLES, UP 7 PERCENT OVER 1973 AND ONLY SLIGHTLY BELOW FYP 1974 GOALS. BRINGING ON STREAM OF NEW PROJECTS AND EQUIPMENT GREW BY ONLY 4 PERCENT, AS OPPOSED TO 9.3 PERCENT GROWTH ENVISAGED FOR 1974 IN FYP. (COMPARISON WITH 1973 FIGURES--4 PERCENT GROWTH IN CAPITAL INVESTMENTS AND 8 PERCENT GROWTH IN COMPLETION OF NEW PROJECTS--GRAPHICALLY DEMONSTRATES WORSENING SITUATION.) COMMENTARY ACCOMPANYING LATEST STATISTICS

NOTES "MAJOR SHORTCOMINGS" IN CAPITAL CONSTRUCTION, AND INDICATES UNDERFULFILLMENT BY MANY SECTORS IN COMPLETION OF NEW PROJECTS. ALSO NOTED IS FACT THAT PERCENTAGE OF UNCOMPLETED CONSTRUCTION "INCREASED SOMEWHAT" FOR YEAR AND ITS LEVEL "EXCEEDED ESTABLISHED NORMS "

5. NATIONAL INCOME. GROWTH IN NATIONAL INCOME FOR 1974 WAS DISAPPOINTING 5 PERCENT, DOWN FROM REDUCED TARGET OF 6.5 PERCENT AND FYP GOAL FOR YEAR OF 6.7 PERCENT. NATIONAL INCOME (BY SOVIET DEFINITION THAT AMOUNT AVAILABLE FOR RE-INVESTMENT AND SAVINGS--IN SHORT, INDUSTRIAL PROFIT) SAID TO REACH ALMOST 350 BILLION RUBLES (IN CURRENT PRICES) IN 1974, A GROWTH OF 14 BILLION RUBLES. (COMMENT: IF ACCURATE THESE RUBLE FIGURES WOULD INDICATE 1974 GROWTH OF ONLY 4.2 PERCENT. END COMMENT) VALUE OF INDUSTRIAL PRODUCTION SET AT 490 BILLION RUBLES, UP 37 BILLION RUBLES FOR YEAR.

6. LABOR PRODUCTIVITY. INDUSTRIAL LABOR PRODUCTIVITY GREW AT RELATIVELY RESPECTABLE RATE OF 6.5 PERCENT (ALBEIT SOMEWHAT LOWER THAN 7.2 PERCENT TARGET SET FOR 1974 WITHIN FYP20 3:9,906 - 2# LIMITED OFFICIAL USE

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OLEN HOWEVER, LABOR PRODUCTIVITY HAD GROWN TO 4.4 PERCENT, DUE IN LARGE MEASURE TO NEGATIVE GROWTH IN AGRICULTURE (MINUS 1.7 PERCENT) AND RELATIVELY SMALL INCREASES IN CONSTRUCTION AND TRANSPORT (5.9 AND 3.9 PERCENT RESPECTIVELY). THROUGH FIRST FOUR YEARS OF FYP GROWTH IN LABOR PRODUCTIVITY IS FAR BELOW PLANNED LEVELS AND CONTINUES TO BEDEVIL ECONOMIC PLANNERS WHO HAVE YET TO FIND ANSWER TO BASIC QUESTION OF HOW TO INDUCE WORKERS TO WORK HARDER AND MORE EFFICIENTLY.

7. CONSUMER WELFARE. DISAPPOINTING (FOR SOVIET CONSUMER) TURNAROUND IN PRIORITIES BETWEEN GROUP A AND B NOTED ABOVE CARRIED OUTPUT IN LATTER CATEGORY TO RISE BY 0.3 PERCENT LESS THAN REDUCED TARGET (AND WHOPPING 1.5 PERCENT SHORTFALL FROM 1974 FYP GOAL). OTHER UNSETTLING NEWS WAS RELATIVELY LOW GROWTH IN REAL PER CAPITA INCOME OF 4.2 PERCENT (VERSUS REDUCED TARGET OF 5 PERCENT AND FYP 1974 GOAL OF 5.5 PERCENT). AVERAGE MONTHLY WAGES FOR STATE EMPLOYEES GREW BY 4.3 PERCENT TO 140.7 RUBLES (AS OPPOSED TO 4.6 RISE FOR YEAR ENVISAGED BY FYP). OTHER BAD NEWS INCLUDED FACT THAT PLAN FOR HOUSING COMPLETIONS FOR YEAR WAS NOT ONLY UNDERFULFILLED BUT THAT COMPLETIONS ACTUALLY DIMINISHED IN COMPARISON WITH PREVIOUS YEAR.

8. DOMESTIC TRADE TURNOVER REMAINS PROBLEM AREA. PLAN FOR YEAR WAS UNDERFULFILLED BY 0.5 PERCENT, A FIGURE WHICH WOULD PRESUMABLY HAVE BEEN MUCH HIGHER HAD NOT SALES OF AUTOMOBILES TO PUBLIC GROWN BY 35 PERCENT OVER PREVIOUS YEAR. FEWER TELEVISION SETS AND WASHING MACHINES WERE SOLD IN 1974 THAN

IN 1973, EVEN THOUGH PRODUCTION OF THESE ITEMS GREW BY 5 AND 3 PERCENT RESPECTIVELY. OTHER COMMODITY AREAS IN WHICH PRODUCTION OUTSTRIPPED SALES IN 1974 INCLUDED: FURNITURE, WATCHES, AND REFRIGERATORS. CLEARLY, IVAN'S BUYING HABITS ARE BECOMING INCREASINGLY SOPHISTICATED; HE DOES NOT LIKE THE QUALITY OF AVAILABLE GOODS AND, OFTEN, RETALIATES BY REFUSING TO PURCHASE.

9. FOREIGN TRADE. FOREIGN TRADE TURNOVER JUMPED 21.5 PERCENT IN 1974. CURIOUSLY, THERE IS NO EXPLANATION FOR THIS PHENOMENON IN COMMENTARY ACCOMPANYING STATISTICS. PRESUMABLY IT IS REFLECTION OF WORLD-WIDE INFLATIONARY TRENDS FROM WHICH USSR CANNOT REMAIN IMMUNE, EITHER IN ITS BUYING OR SELLING PATTERNS. LIMITED OFFICIAL USE

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10. COMMENT: CERTAINLY SOVIET UNION'S 1974 ECONOMIC RESULTS MUST BE VIEWED AS MIXED AT BEST. ON ONE HAND, 8 PERCENT INCREASE IN INDUSTRIAL PRODUCTION IMPRESSIVE WHEN COMPARED TO GROWTH RATES IN OUTPUT OF MOST WESTERN ECONOMIES. ON OTHER HAND, MID-YEAR CHANGE OF GEARS BY SOVIET ECONOMIC DECISION-MAKERS TO RE-EMPHASIS ON GROUP A (HEAVY INDUSTRY) PRODUCTION MAY BE TAKEN AS SIGN OF THEIR INSECURITY AT STATE OF ECONOMY, WITH ITS MULTITUDE OF PROBLEM AREAS. IT MAY ALSO PERHAPS BE EXPLAINED, AT LEAST IN PART, BY PERCEIVED NEED TO SHIFT RESOURCES TO SPEED UP EQUIPPING OF UNCOMPLETED ENTERPRISES AS WELL AS TO ACCELERATE PROGRAM FOR INDUSTRIALIZATION OF AGRICULTURE. SOME MOSCOW DIPLOMATIC COLLEAGUES ALSO VIEW THIS MOVE AS DESIGNED TO INCREASE OUTPUT NOW OF MACHINERY WHICH WILL BE USED LATER FOR PRODUCING CONSUMER GOODS. IN ANY CASE, 1974 RESULTS DO NOT STIMULATE CONFIDENCE AS COUNTRY NTERS "CONCLUSIVE" FIFTH YEAR OF NINTH FIVE -YEAR PLAN. MATLOCK

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## Message Attributes

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